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# MULTIMEDIA UNIVERSITY

## FINAL EXAMINATION

TRIMESTER 2, 2017/2018

### BAC1034 – PRINCIPLES OF FINANCIAL ACCOUNTING

(All sections / Groups)

13 March 2018  
9 a.m – 11 a.m  
(2 Hours)

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#### INSTRUCTIONS TO STUDENTS

1. This question paper consists of 5 printed pages excluding cover page with 4 questions only.
2. Answer **ALL** questions. Marks are shown at the end of each question.
3. Answer in the answer booklet provided.

**QUESTION 1**

The following balances have been extracted from the books of Haryo Enterprise, a small business as at 31 December 2017.

	<b>Debit</b>	<b>Credit</b>
	<b>RM</b>	<b>RM</b>
Capital		40,000
Drawing	9,500	
Purchases and sales	105,000	160,000
Inventory, 1 Jan	9,000	
Account receivable and payable	3,700	6,250
Returns	950	1,300
Discounts	200	750
Salaries and wages	30,800	
Motor vehicles expenses	1,400	
Rent expenses	8,600	
Heating and lighting	1,500	
Telephone	500	
General expenses	1,950	
Carriage inwards	2,700	
Bad debts	350	
Motor vehicles (cost)	85,000	
Office equipment (cost)	20,000	
Accumulated depreciation – Motor vehicles		25,500
Accumulated depreciation – Office equipment		5,000
Cash	35,150	
Bank	22,500	
8% Long-term loan		100,000
	<b>338,800</b>	<b>338,800</b>

**Additional information:**

1. Closing inventory was valued at RM15,000.
2. Motor vehicles expenses owing RM500.
3. Rental includes RM700 paid in advance.
4. Interest on loan has not been paid for the year.
5. The owner took cash RM1,300 for his family use and no record was made.
6. Purchase of goods RM5,000 by cheque was found unrecorded in the book.
7. Depreciation is to be charged as follows:
 

Motor vehicles	10% on straight line method.
Office equipment	25% on reducing balance method.

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**Required:**

- a) Prepare the statement of profit or loss for the year ended 31 December 2017. (15 marks)
- b) Prepare the statement of financial position as at 31 December 2017. (10 marks)

**(Total: 25 marks)**

**QUESTION 2**

- a) Mrs Elainna, a sole proprietor started her business on 1 January 2017. Given below are the business transactions for the month of January 2017:

- 1 Mrs Elainna contributed RM150,000 cash to start her business.
- 2 Bought a computer RM3,000.
- 3 Bought office furniture RM5,500 by cheque.
- 4 Purchased goods worth RM3,700 from Alex Berhad, paid by cheque RM2,000 and balance to be paid next month.
- 5 Paid advertising expense of RM350 by cash.
- 7 Rajan, a customer bought goods amounted to RM2,000 and paid through online banking.
- 11 Mrs Elainna took out cash of RM200 for her personal use.
- 15 Rental received in advance RM4000 by cheque.
- 20 Paid staff salary of RM1,400.
- 28 Returned goods amounted to RM500 previously purchased from Alex Berhad.

**Required:**

Journalize the above transactions in General Journal form. Explanations are not required. (10 marks)

**Continued...**

- b) The ledger account balances for Perkins Berhad as at 31 December 2017 are listed below:

	RM
Accounts Payable	10,000
Accounts Receivable	7,000
Cash	13,000
Share Capital-Ordinary	9,000
Dividends	4,000
Service Revenue	?
Salaries and Wages Expense	25,000
Unearned Service Revenue	2,000
Utilities Expense	12,000

**Required:**

Prepare a trial balance at 31 December 2017

(9 marks)

- c) Selected below are the transactions and cases incurred for Darren Sdn. Bhd.

1. Compare checks to invoices.
2. Different individuals approve and make payments.
3. Print check amounts by machine with indelible ink.
4. Only designated personnel are authorized to sign checks.
5. Each check must have approved invoice.
6. Requiring employees to take vacations.

**Required:**

Analyze each of the cases above and explain the internal control principle behind each case.

(6 marks)

(Total: 25 marks)

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**QUESTION 3**

- a) Selected financial statement data for Mortin Trading are presented below.

	December 31, 2017	December 31, 2016
Inventories	RM85,000	RM65,000
Accounts receivable (net)	100,000	80,000
Short-term investments	25,000	18,000
Cash	20,000	30,000
Total current liabilities	100,000	90,000

During 2017, net sales were RM810,000 and cost of goods sold was RM615,000.

**Required:**

Compute the following ratios at December 31, 2017:

- (1) Current ratio.
- (2) Acid-test ratio.
- (3) Accounts receivable turnover ratio.
- (4) Inventory turnover ratio.

(10 marks)

- b) Lumley Enterprise uses the perpetual inventory system and had the following purchases and sales during March;

		<b>Purchases</b>		<b>Sales</b>	
		<u>Unit</u>	<u>Unit Cost</u>	<u>Unit</u>	<u>Selling price/unit</u>
1-Mar	Beginning inventory	100	RM40		
3-Mar	Purchase	60	RM50		
4-Mar	Sales			70	RM80
10-Mar	Purchase	200	RM55		
16-Mar	Sales			80	RM90

**Required:**

1. Compute the cost of goods sold and ending inventory at March 31 using First in, First out (FIFO) inventory method. (8 marks)
2. Compute the cost of goods sold and ending inventory at March 31 using Average-cost (AC) inventory method (Round cost per unit to 2 decimal places). (7 marks)

(Total: 25 marks)

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**QUESTION 4**

Newman Berhad's comparative statements of financial position are presented below.

Comparative Statement of Financial Position

	<u>2017</u>	<u>2016</u>
Equipment	RM60,000	RM70,000
Accumulated depreciation	(14,000)	(10,000)
Investments	25,000	16,000
Accounts receivable	25,200	22,300
Cash	<u>12,200</u>	<u>17,700</u>
Total	<u>108,400</u>	<u>116,000</u>
Share capital-ordinary	50,000	45,000
Retained earnings	33,800	29,900
Bonds payable	10,000	30,000
Accounts payable	<u>14,600</u>	<u>11,100</u>
Total	<u>108,400</u>	<u>116,000</u>

**Additional information:**

1. Net income was RM19,300. Dividends declared and paid were RM15,400.
2. Equipment which costed RM10,000 and had accumulated depreciation of RM2,200 was sold for RM3,800.
3. All other changes in non-current account balances had a direct effect on cash flows, except the change in accumulated depreciation.

**Required:**

- (a) Prepare a statement of cash flows for 2017 using the indirect method. (23 marks)
- (b) Compute free cash flow. (2 marks)

(Total: 25 marks)

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